Hospitals provide essential public services to the community as a whole on a 24/7 basis. Because the County of San Diego does not operate a hospital, San Diego's non-profit healthcare organizations also fulfill this safety net role, providing health-related services to the majority of the region's uninsured and very low and low-income families. At the same time, hospitals are highly regulated by federal and state governments. As a result, while hospitals have a responsibility to ensure a sound bottom line so as to be able to continue to provide communities with these essential services, many decisions that other businesses are able to make based on the bottom line, are determined for hospitals by statute.

For example, due to California law two fundamental business decisions: 1) whether or not you will build a new facility and 2) how many people you will hire, are unfunded mandates. Currently California's hospitals are in the midst of a building boom due to SB 1953, which requires that acute care facilities meet stringent seismic safety guidelines. Similarly, nurse staffing ratios for various levels of care are mandated by state law (AB 394) and the legislature is seeking to expand workforce ratios to other hospital-based professions.

These factors combine to make the City of San Diego's treatment of hospitals as "developers" with respect to imposition of development fees questionable as well as financially burdensome. We take issue with two fees in particular: Development Impact Fees (DIF) and Housing Trust Fund (HTF) and request exemption from these for hospitals.

Development Impact Fees (DIF)
Section 66000-66008 of CA state code provides local agencies, including municipalities with the authority to levy development impact fees as a condition of approval of a development project. It is under this authority that the City of San Diego assesses Development Impact Fees (DIF).

Section 66000 provides that a local agency must identify the purpose of the fee, identify the use to which the fee is to be put, demonstrate a reasonable relationship between the fee imposed and the proposed development's burden on the community, demonstrate a reasonable relationship between the need for the public facility and the type of development project on which the fee is imposed, and demonstrate a reasonable relationship between the amount of the fee and the cost of the public facility or portion of the public facility.

The City of San Diego explains its imposition of DIF:

> Within urbanized communities which are near buildout, Development Impact Fees (DIF) are collected to mitigate the impact of new development through provisions of a portion of the financing needed for public facilities identified in the Public Facilities Financing Plan (PFFP) and to maintain existing levels of service for that community. Upon determination of the area of benefit and community buildout population, the estimated cost to construct the facilities is divided amongst residential and nonresidential development. (Source: City of San Diego

Facilities Financing
http://www.sandiego.gov/planning/facilitiesfinancing/fees.shtml#dif

In urbanized and some planned urbanized communities, the DIF is broken down for commercial/industrial development into separate assessments for Transportation (Average Daily Trip) and Fire (square foot or gross building area).

Housing Trust Fund (HTF)
The City of San Diego pursuant to Ordinance 0-17454 N.S. assesses a housing impact fee on new office, retail, research and development, manufacturing, warehouse and hotel development as a method of ensuring developers "pay a fair share of the costs of subsidy necessary to house the low and very low income employees who will occupy the jobs new to the region related to such development."

San Diego's hospitals are also assessed these fees at the "office" use rate of $1.06/square foot. This is despite that fact that:

- The HTF impact fee is triggered by the issuance of a building permit by the City of San Diego. Acute care hospitals do not obtain building permits from the City, as they are subject to the permitting process overseen by the Office of Statewide Health Planning and Development (OSHPD);
- The Ordinance implementing HTF specifically links the assessment on "new office, retail, research and development, manufacturing, warehouse, and hotel development..." to "pay a fair share of the costs of subsidy necessary to house the low and very low income employees who will occupy the jobs new to the region related to such development." The salaries of health care professional staff do not meet the definition of low or very low income; and
- Staffing of acute care space is based upon state mandate and the number of hospital beds (patients); not the floor space.

The fees associated with building Sharp Memorial Stephen Birch Healthcare Center, which was necessitated by California's seismic safety law, illustrate the burden of these costs. Sharp HealthCare was assessed a total of over $2.26 million in development fees, plan review, inspections, water and sewer connection cost and fees by the City of San Diego. Of this amount, $918,063 was DIF ($583,505) and HTF ($334,558) fees.

Adding insult to injury, however, the DIF moneys allocated for Transportation and paid for projects constructed by Childrens' Hospital and Sharp HealthCare at the Serra Mesa medical complex have not been used for transportation improvements. So Childrens' and Sharp have spent an additional $600,000 for minor improvements to assist entry and exit for ambulances, patients and employees. Of course, this is in addition to the other transportation-related expenditures required to obtain project approval.